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FOR IMMEDIATE RELEASE  
THURSDAY JULY 19, 2007  
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**FORMER MELROSE PARK POLICE CHIEF VITO SCAVO AND SIX OTHERS  
INDICTED IN ALLEGED PRIVATE SECURITY BUSINESS FRAUD SCHEME**

*Former chief and others also facing racketeering conspiracy and obstruction of justice charges*

CHICAGO – The former chief and six other former and current officers and employees of the Melrose Park Police Department operated the department as an illegal racketeering enterprise for at least a decade between 1996 and 2006, according to a federal grand jury indictment returned today, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois. The indictment alleges that the former chief, **Vito R. Scavo**, and other defendants defrauded west suburban Melrose Park and its citizens by using police department personnel and property to operate several private security guard companies and provide personal services to Scavo; extorted village businesses into using security guard services provided by companies that Scavo and others controlled; and that Scavo committed individual and corporate tax fraud and improperly compensated police department employees who performed personal chores for him with compensatory time off that they had not earned. Scavo, who was village police chief from 1995 until he resigned in September 2006, was charged with racketeering conspiracy along with Deputy Police

Chief **Gary Montino** and **Michael “Mickey” Caliendo**, former civilian supervisor of part-time police officers.

As part of the alleged conspiracy, Scavo and two other defendants, **Guy Ric Cervone**, a former police lieutenant recently promoted to commander, and **German Cepeda**, a former police department janitor and current code enforcement inspector for the village, allegedly obstructed a grand jury investigation of their conduct and tampered with potential grand jury witnesses.

Melrose Park has a population of approximately 22,250 residents and is located about 13 miles west of Chicago.

The charges result from a federal investigation of alleged corruption that began in the spring of 2005 and first became publicly known on September 8, 2005, when law enforcement agents executed search warrants at the police department and the offices of one of the private security guard companies. Earlier this year, Mario Dal Cerro, who worked private security at a restaurant in Melrose Park, pleaded guilty to witness tampering in connection with this investigation and he is awaiting sentencing.

The defendants and charges in today’s 28-count indictment returned by a federal grand jury are as follows:

**Vito R. Scavo**, 59, the former police chief; one count each of racketeering conspiracy, extortion and obstruction of justice, 10 counts of mail or wire fraud, and 9 counts of filing false individual or corporate federal income tax returns;

**Gary Montino**, 51, deputy police chief; one count of racketeering conspiracy and four counts of mail fraud;

**Michael “Mickey” Caliendo**, 64, former supervisor of part-time police officers; one count of racketeering conspiracy and seven counts of mail or wire fraud;

**James Caputo**, 63, former deputy police chief who resigned in 2004; four counts of mail or wire fraud;

**Guy Ric Cervone**, 56, a former police lieutenant who was recently promoted to commander; two counts of mail fraud and one count of obstruction of justice;

**Michael Wynn**, 53, a part-time police officer; three counts of mail fraud; and

**German Cepeda**, 40, a former police department janitor and current village code enforcement inspector; one count of extortion.

The indictment also seeks forfeiture of alleged criminal proceeds of \$1 million from Scavo, Montino and Caliendo; \$1 million from those same three together with Wynn, and \$75,000 from Caliendo and Caputo.

All seven defendants reside in Melrose Park. They will be arraigned at a later date in U.S. District Court in Chicago.

“Police departments should have one purpose: to serve and protect the public,” Mr. Fitzgerald said. “Several of these defendants allegedly ran the Melrose Park Police Department with the purpose of serving themselves first. They abused their powers and violated the public’s trust by shaking down local businesses and encouraging victims and witnesses to lie to federal agents and a grand jury.”

Mr. Fitzgerald announced the charges with Richard A. Devine, Cook County State’s Attorney; Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; Alvin Patton, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division; Thomas P. Brady, Postal Inspector-in-Charge of the U.S. Postal Inspection Service; James Vanderberg, Special Agent-in-Charge of the U.S. Department of Labor Office of Inspector General, all in Chicago; and Bill Roderick, Acting Inspector General of the U.S. Environmental Protection Agency.

According to the indictment, all seven defendants participated in a fraud scheme in which Scavo, Montino, Caliendo and Cervone:

- ▶ diverted and caused the diversion of police department and village personnel and property to operate 1) private security firms – DOD Security Consultants, Inc., also known by other names (collectively referred to as DOD), an unlicensed private security agency in Melrose Park in which Scavo was the sole shareholder, and a branch office of IFPC Worldwide, Inc. which was a licensed private security agency in Chicago and with which Scavo maintained a financial affiliation – and 2) Scavo’s commercial parking lot business in Melrose Park where customers of a nearby “haunted house” attraction could park. (Scavo allegedly obtained use of the parking lot, owned by Navistar International Corp., through fraud by leading Navistar to believe that allowing use of its parking lot was providing a public service to the police department and Melrose Park, not a profit opportunity for Scavo.);
- ▶ improperly compensated police department officers who performed personal chores for Scavo with unearned overtime; and
- ▶ allowed ghost-payrolling at the police department, in part, to compensate employees who performed work for DOD and IFPC, and personal chores for Scavo.

The indictment alleges that Scavo operated DOD and an IFPC branch office out of the police department, using department property and personnel, and while knowing that DOD was not licensed by the Illinois Department of Financial and Professional Regulation. Scavo, Montino, Caliendo and Wynn prioritized the use of on-duty police officers to perform private security work over legitimate police work, it adds. Cepeda allegedly was a bagman for Scavo’s cash security operations, collecting cash security payments from various Melrose Park businesses on a weekly basis and delivering that cash to Scavo and others he designated at the police department.

At Caliendo’s direction, Wynn, while on duty at the police department, routinely worked private security at a Lincoln Technical Institute facility in Melrose Park, one of Scavo’s IFPC security accounts, according to the indictment. The defendants and others received material benefits

for participating in the scheme, including additional income, and, for Montino, Caliendo, Cervone, Wynn, Cepeda and others, favored status with Scavo, the indictment alleges.

Scavo also allegedly violated regulations he created by allowing numerous police officers to perform private security work for DOD and IFPC using police squad cars in connection with private security work. In violation of state law, Montino allegedly directed security guard personnel to wear shirts and jackets bearing the word "Police" while performing their security guard duties, and Caliendo allegedly caused part-time police officers to wear their police uniforms while performing private security work, by assigning them to work such jobs while they were on duty.

As part of the alleged fraud scheme, by at least 2001, Scavo obtained private security business for DOD and IFPC through false representations that local businesses had to hire security guards through him; that he would staff security accounts with off-duty police officers; DOD carried liability insurance at the levels required by its customers; and DOD was an operating division of IFPC.

“Scavo exploited and preyed upon the businesses' fears that if they did not hire security through [him], he would use his official position to cause the businesses to suffer negative consequences,” the indictment states. Scavo also charged the businesses more for security services than what they had previously been paying for security, knowing that they agreed to pay his rate to ensure no adverse consequences from police officers and Scavo himself, it adds.

Among the Melrose Park businesses named in the indictment that Scavo and certain co-defendants allegedly defrauded and/or extorted are: Cinemark, Navistar, Jewel Food Stores, Allied Waste Services, Inc., and Lincoln Tech, as well as a bar, which was not identified by name.

The obstruction of justice and fraud scheme counts allege that, after learning of the federal grand jury investigation in about the first half of September 2005, Scavo directed Cepeda to instruct

numerous witnesses to provide false information to federal agents about their involvement in and knowledge of such facts as the price of the security services, how security guards got paid, and Scavo's involvement with the security business. From that point through at least the beginning of November 2005, Cepeda carried out Scavo's instructions.

About September 19, 2005, and again about October 10, 2005, Scavo allegedly met with Officer A and provided Officer A with false information about Officer A's accumulated overtime, knowing that overtime was being investigated and intending that Officer A would present the false information to the grand jury and federal agents, and told Officer A that backup records related to overtime did not exist, intending to influence Officer A to lie to the grand jury and agents. About September 21, 2005, Cervone allegedly met at the police department with Day Shift Officer 1 and Officer A and provided them with false information about their accumulated overtime and how they had earned it, intending that they would present the false information to investigators. Later that day, Cervone again met with Officer A at Cervone's home and directed Officer A to lie about his overtime, the indictment adds.

About September 14, 2005, Scavo met in Northlake with the owners of Bar 2 and Bar 3, both located in Melrose Park, and instructed them to lie to federal investigators about matters related to the investigation, including Cepeda's involvement in the alleged scheme, according to the indictment.

Caliendo and Caputo allegedly engaged in a similar private security business fraud scheme by diverting police personnel and resources to operate a private company referred to in the indictment as Police Department Security out of the Melrose Park Police Department. Between 1997 and 2005, the private firm allegedly provided security services to a Sears, Roebuck and Co. facility in Melrose Park using on-duty part-time police officers and police squad cars.

The nine tax fraud counts against Scavo allege that he filed false individual and/or corporate federal income tax returns for calendar years 2000-04, by willfully omitting additional income that both he and DOD earned in those years.

The government is being represented by Assistant U.S. Attorneys Scott Drury and Gayle Littleton and Cook County Assistant State's Attorney Thomas Bilyk, who is also serving as a Special Assistant U.S. Attorney.

If convicted, the charges in the indictment carry the following maximum penalties on each count: racketeering conspiracy, extortion, mail fraud and wire fraud – 20 years in prison; obstruction of justice – 10 years in prison; and filing false federal income tax returns – 3 years in prison. All defendants also face a maximum fine of \$250,000 on each count. In addition, defendants convicted of tax offenses must pay the costs of prosecution and remain liable for any penalties, interest and taxes owed. The Court, however, would determine the appropriate sentence to be imposed under the advisory United States Sentencing Guidelines.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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